

NEW HAMPSHIRE STATE LIQUOR COMMISSION

MINUTES OF MEETING – JANUARY 30, 2003

PRESENT: Chairman Anthony Maiola and Commissioners John Byrne and Patricia Russell; John Bunnell, Administrator of Marketing & Sales; Peter Engel, Director of Store Operations; Howard Roundy, Director of Information Technology; George Tsiopras, Chief Accountant; Nicole Horton, Wine Marketing Specialist; Al Picconi, United Beverages, Inc.; Brian Law and Michael Goclowski, Law Warehouses

EXCUSED: Craig Bulkley, Bureau Chief of Administrative Services; Richard Gerrish, Spirits Marketing Specialist

I. FINANCIAL & ADMINISTRATIVE REPORTS

1. Financial Reports

A. Weekly, Y-T-D Sales Reports:

The SA1000 report for the week ending January 26, 2003 shows retail sales were up 20.8%, on-premise sales were up almost 15%, off-premise sales were up a little over 5%, and total aggregate sales were up approximately 15%. The traffic count increased by 9,092, as did the average sales ticket by \$3.39 or about 11%.

The W-1 Total Weekly Sales Report for the same week confirms total sales were up around 15% or \$723,850 for the week, while they were up for the year by 5.71% or \$11,524,575. Weekly wine sales increased almost 23% or \$496,596, and also increased by approximately 10% or \$8,623,463. Sales of spirits were up for the week by 8.27% or \$227,253, and were also up year-to-date by about 2.6% or \$2,905,748. Commissioner Byrne questioned the large increase in wine sales. Brian Law said case volume is up about 9%. This could be partly a result of the current wine sale, which includes all 750ML size wines. Peter will research this and provide further documentation to the Commission.

B. Budget Reports:

There was nothing of significance to report regarding outstanding depletions and post-offs. A check is expected some time this week for the small November balance.

A look at the current W-6 Expense Budget Activity Variance Report shows the year is at about 58.08% complete, with total expenditures at a little over 59%. Increases are due primarily to salaries and benefits. The 2 ½% budget cut is due in to the Governor's office by next week. George hopes to have this ready for the Commission's approval by next Monday, to be sent over to the Governor on Tuesday.

Revenues are expected to exceed projections by about \$800,000.

2. IT Reports

Howard said several things of interest have been taking place. A fix has been received from ACR which is being tested now. This should be in the stores well before March.

Problems with the Verizon switchover continue. Some more changes have been made to the Frad unit infrastructure. The five stores which were changed look very good. This will be worked into all stores by Tuesday or Wednesday of next week.

EPSS goes live on Monday. Training was completed this week; one person from United Beverages was very proactive regarding what she would like to see the system do.

The RITA server is now running between the Commission and Paymentech, and more activity is expected to be seen in the next few days. The implementation should be completed by May 1st. There was meeting yesterday with brokers; they indicated they would like to have a program in place which would limit products gift cards could be used for. This would probably necessitate a modification in the system by ACR, which could cost as much as \$50,000.

Howard has had discussions with other agencies with similar payment needs (i.e., Safety). There is the potential that Administrative Services may end up running the RITA server for all agencies. The downside of this is that they would want to charge a fee for this service. The upside is that there is someone available 24 hours a day to monitor the system.

There was a meeting with Administrative Services' data center personnel regarding co-locating the web server over there. This would reduce a significant amount of traffic on SUN. Eliminating one of the frame relay links is being considered, the purpose being to simplify and make the system easier to maintain. Housing at their location would be free for a minimum of six months. Howard has had discussions with other agencies with similar needs (i.e., Safety).

II. MARKETING & SALES REPORTS

1. Store Operations

The landlord for the new Brookline store is scheduled to meet with the planning board. Peter doesn't anticipate any problems. Commissioner Byrne asked that a budget for the store be submitted to the Commission before the lease is signed, which is currently being reviewed by the landlord's attorney.

The W-8 Sales Analysis by Location report for the week ending 1/26/03 indicates total store sales were up about 19.2% or \$735,263.18. Peter attributed much of this to the current wine sale.

There was brief discussion regarding recommendations submitted by Peter and concurred by John Bunnell concerning store openings and staffing patterns for President's Day, Monday, February 17, 2003. Given the current budget situation, Commissioner Byrne felt too many stores would be open, including some which are not producing much money. John Bunnell suggested eliminating Store #31 Manchester, and leaving Store #10 open. It was moved by Commissioner Byrne, seconded by Commissioner Russell, that this item be approved, with changes to be made and be brought back before the Commission later in the afternoon. The motion was approved on a two to one vote, with Commissioner Maiola opposed.

2. Purchasing Report

John Bunnell commented that the current out-of-stock report is in fairly good shape. He also mentioned that Korbel would soon be representing their own brand product without Brown-Forman.

Brian Law mentioned, based on the last brokers' meeting, that they have initiated the entry of vintage of wines into the receiving system to make it visible to brokers. The issue now is to try to determine, as Law is preparing for physical inventory, how exactly to handle vintages, which have never been tracked at the inventory level before.

Commissioner Byrne asked for a copy of the Law sales report on a daily basis; John Bunnell will show him how to obtain this. He received a call from a broker who complained of lost sales because a item which is in the bailment account is not being picked at night. Discussion ensued regarding this. Mike Goclowski said Howard's inventory report will be blended with Law's to determine what stock situation product is actually in.

3. Merchandising Report

A. SPIRITS:

1) Test Market Products:

a. Test Market Recommendation (O'Leary's Irish Cream):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from Horizon Beverage Company/Shaw-Ross International Importers, Ltd. for a new test market products for O'Leary's Irish Cream Liqueur, 750ML size (assigned four-digit Code #8505), as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

b. Test Market Results (6 spirit items):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission grant specialty status to the following four (4) spirit items which exceeded their respective gross profits required for such listing during a six-month test market period, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales: Code #755, Van Gogh Raspberry Vodka, 750ML; Code #6106, Pellegrino Lemoncello, 750ML; Code #2903, White Horse Scotch, 1.75L; Code #2649, Stillmans Dram, 750ML. The motion was unanimously adopted.

It was further moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission delist the following two (2) spirit items which failed to achieve both their respective gross profits required for full distribution and specialty listing during a six-month test market period, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

B. WINES:

1) South African Display:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve the purchase and distribution of one (1) wine item from Pine State Trading Company, based upon a special purchase allowance and depletion allowance, to be featured on sale during March 2003 as part of the South African display, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

2) Recommended Allocated Wines for Distribution to Selected Stores:

a. 1 wine item:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve one (1) wine item to be designated as allocated for distribution to selected stores, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

b. 2 wine items:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve two (2) wine items to be designated as allocated for distribution to selected stores, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

c. 8 wine items:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve eight (8) wine items to be designated as allocated for distribution to selected stores, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

3) Primary Source Submissions (2 items – exclusive agent; 15 items – imported):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve the listing of two (2) wine items which are not from primary source, but are offered by the exclusive marketing agent, and fifteen (15) wine items which are not from primary source, but are imported, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

Nicole noted that she had been in touch with Wineberries, Ltd., and that they will be providing some cases of product for distribution to the retail stores.

III. ENFORCEMENT & LICENSING REPORTS – None.

IV. CHAIRMAN'S REPORT & LATE ITEMS

1. Bailment Requests:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve all previously reviewed requests for bailment releases/transfers dated January 24 through January 30, 2003. The motion was unanimously adopted.

2. Coupon Approvals:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve all previously reviewed coupon (pad, necker and consumer offer) requests for the month of February 2003. The motion was unanimously adopted.

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3. Late Items:

A. Recommended Restricted Wines for Distribution to Stores or Licensees:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve two (2) restricted wine items for distribution to retail stores or licensees, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

B. Wines Recommended to be Delisted from the Period of January 01, 2002 Through December 29, 2002:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve the delisting of sixty-three (63) wine items which failed to achieve the required gross profit of \$6,500.00, \$3,250.00 of which must be earned in retail sales, for the period beginning January 1, 2002 through December 29, 2002, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

Anthony C. Maiola, Chairman

John W. Byrne, Commissioner

Patricia T. Russell, Commissioner

/D. Hartford

